

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	541.42	0.00	(34.00)	507.42	0.00	(34.00)	507.42	507.42
Personal Services	22,762,646	(616,237)	(679,102)	21,467,307	(634,956)	343,537	22,471,227	43,938,534
Operating Expenses	8,190,987	(43,231)	875,239	9,022,995	142,356	673,592	9,006,935	18,029,930
Equipment	34,633	51,000	0	85,633	36,000	0	70,633	156,266
Benefits & Claims	92,694,789	322,762	7,043,057	100,060,608	658,703	6,511,715	99,865,207	199,925,815
Transfers	0	0	0	0	0	0	0	0
Debt Service	10,688	0	0	10,688	0	0	10,688	21,376
Total Costs	\$123,693,743	(\$285,706)	\$7,239,194	\$130,647,231	\$202,103	\$7,528,844	\$131,424,690	\$262,071,921
General Fund	42,369,565	1,596,506	2,870,350	46,836,421	2,075,865	2,452,901	46,898,331	93,734,752
State/Other Special	1,150,030	139,964	507,712	1,797,706	249,538	993,654	2,393,222	4,190,928
Federal Special	80,174,148	(2,022,176)	3,861,132	82,013,104	(2,123,300)	4,082,289	82,133,137	164,146,241
Total Funds	\$123,693,743	(\$285,706)	\$7,239,194	\$130,647,231	\$202,103	\$7,528,844	\$131,424,690	\$262,071,921

Program Description

Disability Services Division (DSD) assists Montanans with disabilities in living, working, and participating in their communities. The division provides or contracts for institutional care, residential services, home-based services to families, case management, and a variety of employment outcome-related services. These services include counseling and guidance, career training, transportation, adaptive equipment, orientation and mobility services to the blind, vocational rehabilitation training, independent living services, medical services, job placement, and supported employment. DSD is responsible for medical adjudication of all claims for Social Security Disability and Supplemental Security Income. The division is responsible for one state institution, the Montana Developmental Center (MDC) in Boulder.

Vocational Rehabilitation (VR) serves individuals with orthopedic, mental, visual, hearing, brain injury, and other disabilities. Developmentally disabled includes individuals with mental retardation, epilepsy, autism, or other neurological conditions that require treatment similar to those required by someone with mental retardation. In order to be considered a developmental disability, the disability must have originated before age 18 and have resulted in a substantial handicap of indefinite duration.

Statutory Title 53, MCA, 29 U.S.C. 721 et. seq., 29 U.S.C. 796, et. seq., 29 U.S.C. 774, 29 U.S.C. 777b, 29 U.S.C. 2201 et. seq., 42 U.S.C. 75, 6602, 72 U.S.C. 1300, 42 CFR 441.302(b), 42 CFR 441.302(g), 45 CFR 74.62, and 34 CRF Part 303

Program Highlights

Disability Services Division Major Budget Highlights	
◆	Funding for the division increases about \$12 million or 5 percent when the 2007 and 2005 biennia are compared and general fund increases almost \$8.4 million or 10 percent over the same time period
◆	The 2007 biennium budget is \$14.7 million or about 6 percent greater than twice the FY 2004 base budget
◆	Legislative initiatives increased funding for: <ul style="list-style-type: none"> • Direct care wage component of provider rates • Extended Employment

- Independent Living
- Part C Early Intervention services
- A computer technician to assist blind and visually impaired individuals with adaptive technology
- ◆ The legislature reviewed and considered the implementation of a statewide published rate structure for developmental disabilities services and encouraged the department to phase-in this change over a four year period

Program Narrative

The Disability Services Division (DSD) manages programs that focus on assisting individuals with disabilities in living, working, and participating in their communities. The programs managed by the division are divided into two major groups - vocational rehabilitation related programs and developmental disabilities programs. Figure 27 summarizes funding by program and function for the division. Vocational rehabilitation related programs, including extended employment, independent living, blind and low vision services, and the Montana Telecommunications Access Program (MTAP), comprise 13 percent of the funding for the division. Developmental disabilities services, including community and institutional services, comprise more than 83 percent of the funding for the division. The remainder of the division's funding supports disability determination services, the unit within Montana that determines eligibility for federal Social Security disability benefits.

Figure 27

Disability Services Division
Summary of Major Program Functions with Funding

Function	Fiscal 2004 Base Budget				Fiscal 2006 Appropriation				Fiscal 2007 Appropriation				
	General Fund	State Special	Federal	Total Funds	General Fund	State Special	Federal	Total Funds	General Fund	State Special	Federal	Total Funds	Percent of Total
Vocational Rehabilitation													
Voc. Rehab. Administration	\$762,993	\$0	\$2,820,757	\$3,583,750	\$804,664	\$0	\$2,973,097	\$3,777,761	\$805,853	\$0	\$2,977,494	\$3,783,347	2.9%
Voc. Rehab. Benefits	1,609,831	0	5,851,447	7,461,278	1,677,625	0	6,101,937	7,779,562	1,748,132	0	6,362,445	8,110,577	6.1%
Visual Services Medical Benefits	84,851	0	0	84,851	84,851	0	0	84,851	84,851	0	0	84,851	0.1%
Independent Living - Admin.	22,404	0	204,739	227,143	22,404	0	169,400	191,804	22,404	0	169,198	191,602	0.1%
Independent Living - Benefits	3,726	0	70,488	74,214	103,726	0	70,488	174,214	103,726	0	70,488	174,214	0.1%
Sec. 110 Blind Low Vision Administration	132,669	0	490,348	623,017	204,870	0	516,799	721,669	204,797	0	516,526	721,323	0.6%
Sec. 110 Blind Low Vision Benefits	211,967	0	839,370	1,051,337	211,967	0	839,370	1,051,337	211,967	0	839,370	1,051,337	0.8%
In Service Training - Administration	4,653	0	41,879	46,532	4,643	0	41,788	46,431	4,644	0	41,792	46,436	0.0%
Supported Employment	0	0	186,423	186,423	0	0	186,423	186,423	0	0	186,423	186,423	0.1%
Independent Living Part B Benefits	27,124	0	219,862	246,986	255,890	0	219,862	475,752	255,890	0	219,862	475,752	0.4%
Independent Living Part B Administration	6,227	0	56,030	62,257	7,227	0	65,043	72,270	7,215	0	64,933	72,148	0.1%
Migrant Worker Benefits	0	0	332,778	332,778	0	0	332,778	332,778	0	0	332,778	332,778	0.3%
Extended Employment Benefits	512,534	0	0	512,534	993,173	0	0	993,173	993,173	0	0	993,173	0.8%
Montana Telecommunications Access Prog.	0	1,100,444	0	1,100,444	0	1,240,408	0	1,240,408	0	1,349,982	0	1,349,982	1.0%
Social Security Benefits	0	0	185,214	185,214	0	0	185,214	185,214	0	0	185,214	185,214	0.1%
Subtotal Vocational Rehabilitation	<u>3,378,979</u>	<u>1,100,444</u>	<u>11,299,335</u>	<u>15,778,758</u>	<u>4,371,040</u>	<u>1,240,408</u>	<u>11,702,199</u>	<u>17,313,647</u>	<u>4,442,652</u>	<u>1,349,982</u>	<u>11,966,523</u>	<u>17,759,157</u>	<u>13.4%</u>
Percent of Total	21.4%	7.0%	71.6%	100.0%	25.2%	7.2%	67.6%	100.0%	25.0%	7.6%	67.4%	100.0%	
Institutions													
Montana Development Center	14,258,663	49,405	0	14,308,068	14,070,011	49,405	0	14,119,416	14,040,362	49,405	0	14,089,767	10.8%
Eastern Montana Human Service Center	1,990,368	0	2,285,735	4,276,103	0	0	2,285,735	2,285,735	0	0	2,285,735	2,285,735	1.7%
MDC Medicaid	0	0	11,409,136	11,409,136	0	0	11,409,136	11,409,136	0	0	11,409,136	11,409,136	8.7%
Subtotal Institutions	<u>16,249,031</u>	<u>49,405</u>	<u>13,694,871</u>	<u>29,993,307</u>	<u>14,070,011</u>	<u>49,405</u>	<u>13,694,871</u>	<u>27,814,287</u>	<u>14,040,362</u>	<u>49,405</u>	<u>13,694,871</u>	<u>27,784,638</u>	<u>21.2%</u>
Percent of Total	54.2%	0.2%	45.7%	100.0%	50.6%	0.2%	49.2%	100.0%	50.5%	0.2%	49.3%	100.0%	
Developmental Disabilities - Community													
Administration	1,387,892	181	1,720,250	3,108,323	1,972,178	6,893	2,081,575	4,060,646	2,519,620	17,835	2,363,607	4,901,062	3.4%
Targeted Case Management Administration	553,647	0	807,173	1,360,820	638,388	0	792,010	1,430,398	647,597	0	784,802	1,432,399	1.1%
Medicaid Benefits	13,117,785	0	41,336,787	54,454,572	17,944,962	501,000	42,152,262	60,598,224	17,397,811	976,000	41,693,071	60,066,882	46.0%
Part C and General Fund Benefits	2,845,047	0	1,678,519	4,523,566	2,935,047	0	1,678,519	4,613,566	2,935,047	0	1,678,519	4,613,566	3.5%
General Fund, Title XX, Other Benefits	4,497,090	0	4,406,302	8,903,392	4,493,690	0	4,401,212	8,894,902	4,493,690	0	4,401,212	8,894,902	6.8%
Targeted Case Management Benefits	340,094	0	1,071,671	1,411,765	411,105	0	1,000,660	1,411,765	421,552	0	990,213	1,411,765	1.1%
Subtotal Developmental Disabilities-Comm.	<u>22,741,555</u>	<u>181</u>	<u>51,020,702</u>	<u>73,762,438</u>	<u>28,395,370</u>	<u>507,893</u>	<u>52,106,238</u>	<u>81,009,501</u>	<u>28,415,317</u>	<u>993,835</u>	<u>51,911,424</u>	<u>81,320,576</u>	<u>61.9%</u>
Percent of Total	30.8%	0.0%	69.2%	100.0%	35.1%	0.6%	64.3%	100.0%	34.9%	1.2%	63.8%	100.0%	
Other													
Disability Determination Services	0	0	4,159,230	4,159,230	0	0	4,509,796	4,509,796	0	0	4,560,319	4,560,319	3.5%
Subtotal Other	<u>0</u>	<u>0</u>	<u>4,159,230</u>	<u>4,159,230</u>	<u>0</u>	<u>0</u>	<u>4,509,796</u>	<u>4,509,796</u>	<u>0</u>	<u>0</u>	<u>4,560,319</u>	<u>4,560,319</u>	<u>3.5%</u>
Percent of Total	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	100.0%	100.0%	
Total Disability Services Division	<u>\$42,369,565</u>	<u>\$1,150,030</u>	<u>\$80,174,138</u>	<u>\$123,693,733</u>	<u>\$46,836,421</u>	<u>\$1,797,706</u>	<u>\$82,013,104</u>	<u>\$130,647,231</u>	<u>\$46,898,331</u>	<u>\$2,393,222</u>	<u>\$82,133,137</u>	<u>\$131,424,690</u>	<u>100.0%</u>
Percent of Total	34.3%	0.9%	64.8%	100.0%	35.8%	1.4%	62.8%	100.0%	35.7%	1.8%	62.5%	100.0%	

Figure 28 summarizes funding for benefit and claims costs by program and source of funds. The bulk of the benefit costs of the division support services for developmentally disabled individuals. Medicaid benefits, benefits funded from other sources, Montana Developmental Center, and targeted case management services for developmentally disabled individuals accounts for 88 percent of the benefits provided by the division. Vocational rehabilitation and related programs account for the remaining 12 percent.

The 2007 biennium budget for the division is about \$14.7 million or 6 percent greater than twice the FY 2004 base budget. Major budgetary actions include legislative adoption of the executive budget proposal, including:

- Movement of individuals from the Montana Developmental Center as required by the Travis D. litigation, including
 - A net decrease in general fund of almost \$1 million and an increase in federal funds of almost \$3 million. It should also be noted that this action will likely decrease general fund revenue from Medicaid reimbursements for services provided at the institution
 - Restricted, biennial, one-time-only funding for training (\$200,000), crisis services (\$400,000), and construction start-up costs (\$500,000) as required by the Travis D. litigation
- Reduction of the waiting list for DD services by provision of community services to 15 individuals, about \$2.3 million total funds
- Raising the benchmark for direct care worker wages used in developing the statewide published rate from the 25th percentile to the 35th percentile for comparable job categories, \$4.3 million total funds including \$475,000 general fund and \$1.4 million I-149 tobacco taxes

The legislative initiatives included in the 2007 biennium budget total about \$1.4 million and provide general fund support for:

- Modification of the executive proposal increasing direct care worker wages by utilizing \$475,000 of general fund to support the wage increase in the first half of FY 2006 rather than using I-149 tobacco tax funds
- Extended employment follow-along and sheltered work services, \$420,000 general fund for the biennium, which will serve about 60 individuals or one-half the waiting list in follow-along services and 10 individuals or one-half the waiting list in sheltered work services
- Independent living services, \$200,000 for the biennium to serve an additional 78 individuals in the eastern Montana region that includes six reservations
- Increased Part C Early Intervention services for disabled children, \$180,000 general fund for the biennium for services for about 18 children
- A computer technician to assist blind and visually impaired individuals in usage of computer technology adapted to their needs, \$130,000 for the biennium

Figure 28
Disability Services Division
Summary of Benefits Costs with Funding

Description	Fiscal 2004 - Base Budget				Fiscal 2006 Appropriation				Fiscal 2007 Appropriation				
	General	State	Federal	Total	General	State	Federal	Total	General	State	Federal	Total	Percent
	Fund	Spec. Rev	Funds	Funds	Fund	Spec. Rev	Funds	Funds	Fund	Spec. Rev	Funds	Funds	Total
Benefits and Claims													
Voc. Rehab. Benefits	\$1,605,696	\$0	\$5,868,504	\$7,474,200	\$1,673,675	\$0	\$6,118,809	\$7,792,484	\$1,744,361	\$0	\$6,379,138	\$8,123,499	8.1%
Visual Services Medical Benefits	84,825	0	0	84,825	84,825	0	0	84,825	84,825	0	0	84,825	0.1%
Independent Living - Admin.	7	0	60	67	8	0	59	67	8	0	59	67	0.0%
Independent Living - Benefits	3,710	0	70,180	73,890	103,710	0	70,180	173,890	103,710	0	70,180	173,890	0.2%
Sec. 110 Blind Low Vision Benefits	211,969	0	839,378	1,051,347	211,969	0	839,378	1,051,347	211,969	0	839,378	1,051,347	1.1%
Supported Employment	0	0	186,423	186,423	0	0	186,423	186,423	0	0	186,423	186,423	0.2%
Independent Living Part B Benefits	27,121	0	219,836	246,957	255,890	0	219,833	475,723	255,890	0	219,833	475,723	0.5%
Independent Living Part B Admin	150	0	1,350	1,500	150	0	1,350	1,500	150	0	1,350	1,500	0.0%
Migrant Worker Benefits	0	0	332,778	332,778	0	0	332,778	332,778	0	0	332,778	332,778	0.3%
Extended Employment Benefits	512,534	0	0	512,534	993,173	0	0	993,173	993,173	0	0	993,173	1.0%
Social Security Benefits	0	0	185,214	185,214	0	0	185,214	185,214	0	0	185,214	185,214	0.2%
Eastern Montana Human Service Center	0	0	2,285,735	2,285,735	0	0	2,285,735	2,285,735	0	0	2,285,735	2,285,735	2.3%
MDC Medicaid	0	0	11,409,136	11,409,136	0	0	11,409,136	11,409,136	0	0	11,409,136	11,409,136	11.4%
Medicaid Benefits	13,117,785	0	41,336,787	54,454,572	17,944,962	501,000	42,152,262	60,598,224	17,397,811	976,000	41,693,071	60,066,882	60.1%
Part C and General Fund Benefits	2,845,047	0	1,678,519	4,523,566	2,935,047	0	1,678,519	4,613,566	2,935,047	0	1,678,519	4,613,566	4.6%
General Fund, Title XX, Other Benefits	4,253,011	0	4,167,160	8,420,171	4,253,011	0	4,167,160	8,420,171	4,253,011	0	4,167,160	8,420,171	8.4%
Targeted Case Management Benefits	340,094	0	1,071,671	1,411,765	411,105	0	1,000,660	1,411,765	421,552	0	990,213	1,411,765	1.4%
Disability Determination Services	0	0	40,109	40,109	0	0	44,587	44,587	0	0	49,513	49,513	0.0%
Total Benefits and Grants	<u>\$23,001,949</u>	<u>\$0</u>	<u>\$69,692,840</u>	<u>\$92,694,789</u>	<u>\$28,867,524</u>	<u>\$501,000</u>	<u>\$70,692,084</u>	<u>\$100,060,608</u>	<u>\$28,401,506</u>	<u>\$976,000</u>	<u>\$70,487,701</u>	<u>\$99,865,207</u>	<u>100.0%</u>

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table Disability Services Division					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 42,369,565	34.3%	\$ 46,836,421	35.8%	\$ 46,898,331	35.7%
	01100 General Fund	42,369,565	34.3%	46,836,421	35.8%	46,898,331	35.7%
02000	Total State Special Funds	1,150,030	0.9%	1,797,706	1.4%	2,393,222	1.8%
	02035 Mdc Vocational	49,405	0.0%	49,405	0.0%	49,405	0.0%
	02159 Handicapped Telecommunications	1,100,444	0.9%	1,247,120	1.0%	1,367,636	1.0%
	02475 Ddp Training Fund	181	0.0%	181	0.0%	181	0.0%
	02761 Medicaid Pilot Program Dd	-	-	16,000	0.0%	16,000	0.0%
	02772 Tobacco Hlth & Mediced Initiative	-	-	475,000	0.4%	950,000	0.7%
	02923 Donated Funds-Mdc	-	-	10,000	0.0%	10,000	0.0%
03000	Total Federal Special Funds	80,174,148	64.8%	82,013,104	62.8%	82,133,137	62.5%
	03024 Soc Sec - Trust Funds	185,214	0.1%	185,214	0.1%	185,214	0.1%
	03554 84.169 - Independent Living 90	275,892	0.2%	286,036	0.2%	287,744	0.2%
	03555 84.177 - Indep Living Old Blin	275,227	0.2%	244,709	0.2%	252,278	0.2%
	03556 84.181 - Part H - Early Interv	1,797,210	1.5%	1,797,210	1.4%	1,797,210	1.4%
	03557 84.187 - Vic Sup Employment	186,423	0.2%	186,423	0.1%	186,423	0.1%
	03558 84.224 - Mon Tech 100%	332,778	0.3%	332,778	0.3%	332,778	0.3%
	03559 84.265 - In Service Training 9	41,879	0.0%	41,788	0.0%	41,792	0.0%
	03579 93.667 - Ssbgs - Benefits	4,095,771	3.3%	4,095,771	3.1%	4,095,771	3.1%
	03580 6901-93.778 - Med Adm 50%	397,742	0.3%	397,742	0.3%	397,742	0.3%
	03583 93.778 - Med Ben Fmap	56,103,329	45.4%	55,328,277	42.3%	54,875,867	41.8%
	03588 93.802 - Disabil Deter Adm 100	4,159,230	3.4%	4,572,724	3.5%	4,724,260	3.6%
	03599 03 Indirect Activity Prog 10	2,321,600	1.9%	4,021,853	3.1%	4,020,637	3.1%
	03604 84.126 - Rehab-Sec110 A 78.7%	10,001,853	8.1%	10,522,579	8.1%	10,935,421	8.3%
Grand Total		\$ 123,693,743	100.0%	\$ 130,647,231	100.0%	\$ 131,424,690	100.0%

Disability Services Division is funded with a combination of general fund (36 percent), state special revenue (2 percent), and federal funds (62 percent). Most general fund support is used to draw down federal matching funds. The matching ratio for federal programs administered by the division varies. However, the most common ratios are as follows:

- Medicaid services are funded at the federal medical assistance participation rate, which is generally about 30 percent state funds and 70 percent federal funds
- Medicaid administrative costs are funded on a 50/50 ratio of state and federal funds
- Vocational Rehabilitation services are funded on a 21/79 ratio of state and federal funds
- Disability Determination services are funded entirely with federal funds
- The Montana Developmental Center (MDC) is funded entirely with general fund. Medicaid reimbursements for services provided at MDC are first used to repay bond debt and the remaining balance is deposited in the general fund

The single largest source of funding for the division is Medicaid benefit reimbursements that provide 42 percent of the division funding. Other than the general fund, no other funding source provides more than 10 percent of the funding for the division.

Biennial Budget Comparison

The 2007 biennium funding for the division is just less than 5 percent greater than the 2005 biennium level (Figure 29). General fund support increases \$8.4 million (10 percent) due to decreases in the federal matching rate for Medicaid costs resulting in increased general fund support, reduction in the waiting list for services, funding for direct care work wage increases, and legislative initiatives adding \$1.4 million general fund. State special revenue increases due to the provision of tobacco tax revenue (I-149) to support increases in Medicaid services and a slight increase in anticipated expenditures for the Montana Telecommunications Access Program (MTAP). Federal funds increase slightly because anticipated increases in expenditures eligible for federal reimbursement are offset by decreases in federal funds due to the change in the federal matching rate for Medicaid costs.

Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	541.42	507.42		(34.00)	
Personal Services	\$45,026,963	\$43,938,534	\$0	(\$1,088,429)	-2.4%
Operating	15,111,810	18,029,930	0	2,918,120	19.3%
Equipment	87,988	156,266	0	68,278	77.6%
Benefits&Claims	189,703,581	199,925,815	1	10,222,234	5.4%
Debt Service	24,237	21,376	0	(2,861)	-11.8%
Total Costs	\$249,954,579	\$262,071,921	100.0%	\$12,117,342	4.8%
General Fund	\$85,308,210	\$93,734,752	35.8%	\$8,426,542	9.9%
State Special	2,404,626	4,190,928	1.6%	1,786,302	74.3%
Federal Funds	162,241,743	164,146,241	62.6%	1,904,498	1.2%
Total Funds	\$249,954,579	\$262,071,921	100.0%	\$12,117,342	4.8%

Increases in personal services costs due to statewide present law adjustments and pay plan increases adopted by the legislature are offset by a reduction in staffing (35.00 FTE) at the Montana Developmental Center due to the movement of individuals from the institution to community services for a net decrease in personal services. The increases in operating costs reflect primarily the inclusion of funding for the bed utilization fee at Montana Developmental Center in HB 2 and other anticipated cost increases such as training, rent, and various institutional operating costs.

The increase in benefits and claims reflects primarily increases in Medicaid benefits to developmentally disabled individuals. These costs increase because individuals are moved from the institution to community settings, the waiting list for services is reduced, and direct care worker wages are increased. Additionally, legislative initiatives impacting vocational rehabilitation related services increase benefits and claims costs about \$1.4 million.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				(196,641)					(150,318)
Vacancy Savings				(902,404)					(904,247)
Inflation/Deflation				19,166					13,411
Fixed Costs				(55,298)					(32,985)
Total Statewide Present Law Adjustments				(\$1,135,177)					(\$1,074,139)
DP 25 - FMAP Enhancement Adjustment	0.00	1,726,793	0	(1,726,793)	0	0.00	1,726,793	0	(1,726,793)
DP 31 - FMAP Adjustment - Developmental Disabilities	0.00	1,140,119	0	(1,140,119)	0	0.00	1,561,844	0	(1,561,844)
DP 40 - Closure of Eastmont Human Services Center	0.00	(284,530)	0	0	(284,530)	0.00	(284,362)	0	0
DP 47 - Montana Developmental Center Base Adjustments	0.00	593,130	0	0	593,130	0.00	524,330	0	0
DP 52 - Rent Increases	0.00	13,420	0	31,580	45,000	0.00	17,488	0	41,524
DP 59 - Vocational Rehabilitation Tuition Increases	0.00	67,794	0	250,490	318,284	0.00	138,301	0	510,998
DP 64 - Montana Developmental Center Replacement Equipment	0.00	51,000	0	0	51,000	0.00	36,000	0	0
DP 92 - Montana Telecommunications Access Program Increase	0.00	0	244,448	0	244,448	0.00	0	353,470	0
DP 109 - Montana Telecommunications Access Program Decrease	0.00	0	(100,000)	0	(100,000)	0.00	0	(100,000)	0
DP 135 - Disability Determination Services Base Adjustment	0.00	0	0	102,816	102,816	0.00	0	0	153,569
DP 9999 - Statewide FTE Reduction	0.00	(120,677)	0	0	(120,677)	0.00	(115,076)	0	0
Total Other Present Law Adjustments	0.00	\$3,187,049	\$144,448	(\$2,482,026)	\$849,471	0.00	\$3,605,318	\$253,470	(\$2,582,546)
Grand Total All Present Law Adjustments				(\$285,706)					\$202,103

DP 25 - FMAP Enhancement Adjustment - The legislature provided an increase of approximately \$3.5 million general fund and an offsetting decrease of federal funds for the biennium to reflect the discontinuation of an enhanced Federal Medical Assistance Percentage (FMAP) rate. The federal Jobs and Growth Tax Relief Reconciliation Act provided a short-term enhanced FMAP rate that resulted in an increase in federal funds and decrease in state funds of about three percent in the base year.

DP 31 - FMAP Adjustment - Developmental Disabilities - The legislature provided an increase in general fund of about \$2.7 million for the biennium with an offsetting decrease in federal funds due to projected decreases in the FMAP rates for FY 2006 and FY 2007.

DP 40 - Closure of Eastmont Human Services Center - This legislature reduced general fund by \$568,892 for the biennium to reflect the closure of the Eastern Montana Human Services Center (Eastmont) in Glendive. HB 727 from the 2003 legislative session provided for the closure of Eastmont by December 31, 2003 and transfer of the facility to the Department of Corrections. Some employees of Eastmont transferred to the facility in Boulder and the remaining individuals' employment with the state was discontinued. Residents of the facility were moved to community group homes or to the Montana Developmental Center in Boulder. No FTE reductions are reflected in this decision package because at the time the personal services snapshot used to develop the 2007 biennium budget was completed, no FTE remained budgeted for Eastmont.

DP 47 - Montana Developmental Center Base Adjustments - The legislature provided \$1,117,460 general fund for the biennium for holidays worked, overtime and differential pay, and employer paid benefits, which are not included in the base budget.

DP 52 - Rent Increases - The legislature provided \$30,908 of general fund and \$104,012 federal funds for the biennium to support increases in rental costs at ten Developmental Disability and Vocational Rehabilitation field offices.

DP 59 - Vocational Rehabilitation Tuition Increases - The legislature provided \$206,095 general fund and \$967,583 total funds for the biennium to support increased tuition costs. The department estimates that tuition has and will increase about 4 percent per year. However, more than 4 percent per year is requested because no increase for tuition costs was included in the 2005 biennium budget.

DP 64 - Montana Developmental Center Replacement Equipment - The legislature provided \$87,000 of general fund for the biennium to replace equipment used in providing services to individuals who reside at the Montana Developmental Center. MDC proposes replacing one service truck and two passenger vans. Two of the passenger vans (which are used only for on campus transportation) have more than 100,000 miles and the other two passenger vans (which are used to transport clients off campus) have in excess of 90,000 miles each.

DP 92 - Montana Telecommunications Access Program Increase - The legislature provided an increase of about \$600,000 for the biennium from the handicapped telecommunications state special revenue fund. The increase in funding would support a projected expansion in usage of the captioned telephone service by individuals with hearing and speech impairments. The projected usage of captioned telephone service is offset in part by an anticipated decrease in the usage of traditional relay services.

DP 109 - Montana Telecommunications Access Program Decrease - The legislature reduced operating expenses of the MTAP program by \$200,000 state special revenue for the biennium. Operating costs reductions would be achieved by the cancellation of a contract for public relations and advertising. After this reduction, the program would have ongoing funding of \$30,000 per year in its budget to provide public relations, advertising, and program outreach through efforts such as a web page, newsletter, trade publications, senior fairs and limited radio and television advertising.

DP 135 - Disability Determination Services Base Adjustment - The legislature provided a \$256,385 increase in federal funds for the biennium for Disability Determination Services workload increases. These increases include: overtime, medical consultant contracts, rent, and claimant travel.

DP 9999 - Statewide FTE Reduction - This decision package reduces funding for personal services by \$235,753 general fund, but does not reduce FTE authorized by the Office of Budget and Program Planning, to reflect the across the board personal service reduction included in the 2005 biennium budget by the legislature.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 39 - Movement to Community Services										
10	(35.00)	(171,846)	0	1,604,871	1,433,025	(35.00)	(786,731)	0	1,508,243	721,512
DP 83 - Wait List Reduction										
10	0.00	326,138	0	798,863	1,125,001	0.00	335,700	0	789,300	1,125,000
DP 168 - Bed Tax Funding										
10	0.00	800,000	0	0	800,000	0.00	800,000	0	0	800,000
DP 700 - Extended Employment Additional										
10	0.00	210,000	0	0	210,000	0.00	210,000	0	0	210,000
DP 701 - Independent Living										
10	0.00	100,000	0	0	100,000	0.00	100,000	0	0	100,000
DP 706 - Computer Tech Support Assist with Tech for Blind										
10	1.00	65,000	0	0	65,000	1.00	65,000	0	0	65,000
DP 707 - Part C Early Intervention										
10	0.00	90,000	0	0	90,000	0.00	90,000	0	0	90,000
DP 713 - Direct Care Worker Incr. 25th-35th Percent I-149										
10	0.00	475,000	475,000	1,219,445	2,169,445	0.00	0	950,000	1,190,604	2,140,604
DP 714 - Extend Tax Credit for Donations (HB 513)										
10	0.00	0	10,000	17,038	27,038	0.00	0	10,000	16,443	26,443
DP 715 - Medicaid Pilot Program (SB 433)										
10	0.00	0	16,000	0	16,000	0.00	0	16,000	0	16,000
DP 716 - Revise ICF/DD Utilization Fee (SB 82)										
10	0.00	60,168	0	0	60,168	0.00	58,263	0	0	58,263
DP 3003 - Independent Living Part B										
10	0.00	228,766	0	0	228,766	0.00	228,766	0	0	228,766
DP 3010 - Extended Employment										
10	0.00	270,639	0	0	270,639	0.00	270,639	0	0	270,639
DP 6010 - 2007 Biennium Pay Plan - HB 447										
10	0.00	416,485	6,712	220,915	644,112	0.00	1,081,264	17,654	577,699	1,676,617
Total	(34.00)	\$2,870,350	\$507,712	\$3,861,132	\$7,239,194	(34.00)	\$2,452,901	\$993,654	\$4,082,289	\$7,528,844

DP 39 - Movement to Community Services - The legislature approved a reduction of \$939,379 general fund and an increase of \$3,113,114 in federal funds for the biennium to serve 26 individuals from the Montana Developmental Center in community services. As a result of the Travis D. lawsuit, which was settled in February 2004, the department proposes moving individuals from the state institution to community placements. This decision package includes training funds, crisis funds and construction start-up funds that have been designated by the legislature as biennial, restricted, one-time-only appropriations. This decision package also includes funds to hire contract FTE case managers and it the legislature's expectation that the increased costs incurred to provide state supplemental payments to recipients of supplemental security income will be funded with funds provided in this decision package.

DP 83 - Wait List Reduction - The legislature provided approximately \$660,000 of general fund and \$1.6 million of federal funds for the biennium as a restricted appropriation to move 15 individuals off the developmental disabilities waiting list.

DP 168 - Bed Tax Funding - The legislature provided \$1.6 million in general fund over the biennium for the Montana Developmental Center to pay the bed tax enacted by HB 722 of the 2003 session. This proposal is revenue neutral as a like amount will be deposited in the general fund. Funding for the 2005 biennium was provided as one-time-only funding and thus not included in the base budget for the 2007 biennium.

DP 700 - Extended Employment Additional - The legislature provided \$420,000 general fund for the biennium for the Extended Employment Program operated in conjunction with Vocational Rehabilitation services administered by the Department of Public Health and Human Services. \$280,000 general fund for the biennium was provided to serve 60 individuals on the waiting list for "follow along" work services and \$140,000 general fund for the biennium was provided to serve 10 individuals on the waiting list for "sheltered" work services.

The Extended Employment program serves people whose disabilities require they have training and job support at work

even after the initial job training has been complete. Some of these people work in sheltered workshops and some work in the community with a job coach. Currently, Vocational Rehabilitation is providing services to 125 severely disabled persons in the community and 74 in sheltered workshops.

DP 701 - Independent Living - The legislature provided \$200,000 general fund for the biennium to increase funding for Independent Living programs that are provided in conjunction with Vocational Rehabilitation services administered by the Department of Public Health and Human Services. The Independent Living program helps people with disabilities live independently in their community. Vocational Rehabilitation contracts with four independent living centers (Missoula, Helena, Great Falls, and Billings) to provide a wide array of services including advocacy, information and referral, basic skills training, employment and benefits planning, housing and education assistance, assistance with accessibility issues, and personal care assistance. In 2004, the centers for independent living served 1,512 individuals with a variety of disabilities

DP 706 - Computer Tech Support Assist with Tech for Blind - The legislature provided a restricted appropriation of \$130,000 general fund for the biennium to support 1.0 FTE and associated costs. This position is a computer support technician to provide assistance to blind and visually impaired individuals in the use of computer technology and software specifically designed for use by blind and visually impaired individuals.

DP 707 - Part C Early Intervention - The legislature provided \$180,000 general fund for the biennium to provide services to children on the waiting list for Part C Early Intervention services, specifically Family Education and Support Services. It is estimated that this funding will support services for 18 individuals for the biennium.

DP 713 - Direct Care Worker Incr. 25th-35th Percent I-149 - The legislature provided \$475,000 general fund, \$1.4 million state special revenue and \$2.4 million federal funds for the biennium to support increasing the direct care worker salary benchmark in the DD provider published rate schedule from the 25th to 35th percentile of comparable salaries. The state special revenue support for this increase is from revenue generated due to the passage of I-149 increasing tobacco taxes.

DP 714 - Extend Tax Credit for Donations (HB 513) - The legislature provided \$20,000 state special revenue and \$33,481 federal funds for the biennium contingent upon passage and approval of HB 513 which extends statutory provisions for tax credits for donations made to support developmental disabilities services.

DP 715 - Medicaid Pilot Program (SB 433) - The legislature provided \$32,000 state special revenue to support a pilot program of individuals receiving Medicaid Home and Community Based Waiver Services. The pilot program, as contained in SB 433, allow individuals to "save" a portion of any unexpended funds allocated to support their services for future use.

DP 716 - Revise ICF/DD Utilization Fee (SB 82) - The legislature provided \$128,749 general fund for the biennium (\$60,168 in FY06 and \$58,263 in FY07) to support the provisions of SB 82 revising the utilization fee for ICF/DD facilities.

DP 3003 - Independent Living Part B - The legislature provided \$457,532 general fund for the biennium to continue independent living services at the 2005 biennium level. This funding was previously provided through the diversion of tobacco settlement proceeds to the prevention and stabilization fund established by SB 485 from the 2003 session that is scheduled to terminate on June 30, 2005. The 2005 biennium funding from the prevention and stabilization fund was one-time-only funding and thus was not included in the base budget.

DP 3010 - Extended Employment - The legislature approved \$541,278 general fund for the biennium to continue extended employment services at 2005 biennium level. This funding was previously provided through the diversion of tobacco settlement proceeds to the prevention and stabilization fund established by SB 485 from the 2003 session that is scheduled to terminate on June 30, 2005. The funding provided for the 2005 biennium was one-time-only funding and thus not included in the base budget.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However his authority to do so is questioned and may be challenged through legal action.

“Funding for the Disability Services Division includes funding that supports community services for developmentally disabled individuals and the implementation of a statewide published rate schedule for reimbursement of these services. Funding for these services was appropriated by the legislature in a manner that supports a phased-in implementation of the published rate schedule, with one quarter of the reimbursement for services provided to consumers transitioning to the published rate schedule each year. The department may adjust the timeframe for implementation of the published rate schedule if necessary to maintain federal medicaid funding, avoid federal penalties, or achieve compliance with federal requirements. In the event that the timeframe for implementation of the published rate schedule is modified, the department shall notify members of the 2005 legislative joint appropriations subcommittee on health and human services prior to taking action to change the implementation schedule.

The disabilities services division shall report to the legislative finance committee and the members of the 2005 legislative joint appropriations subcommittee on health and human services every 6 months, on December 31 and June 30, on the status and progress of the following items:

- (1) design and implementation of a published rate schedule for providers of developmental disabilities services;*
- (2) design and implementation of the Montana resource allocation protocol to allocate resources among clients in the developmental disabilities service system;*
- (3) status of the pilot project implementation of the published rate schedule and Montana resource allocation protocol;*
- (4) status and timing of statewide implementation of the published rate schedule and Montana resource allocation protocol; and*
- (5) status of achieving compliance with centers for medicare and medicaid findings and regulations and whether or not imposition of any penalties is occurring.*

Funding in Montana Telecommunications Access Program may be expended only to support the activities of the Montana telecommunications access program.

Funding in Developmental Disabilities Training may be expended only to support developmental disabilities training for staff and providers as required in the settlement agreement of the Travis D. litigation.

Funding in Developmental Disabilities Crisis may be expended only to support developmental disabilities consumers who experience crisis and as required in the settlement agreement of the Travis D. litigation.

Funding in Developmental Disabilities Start-up may be expended only to support startup costs for service expansion as required by the settlement agreement of the Travis D. litigation.

Funding in Developmental Disabilities Waiting List Reduction may be used only to support services provided to

individuals who have been on the developmental disabilities waiting list and are entering developmental disabilities services.

Funding in Montana Developmental Center Bed Tax may be used only to support the bed tax charged to the Montana developmental center.”

Other Issues

The legislature also heard testimony and considered a number of other issues, which are outlined in the following narrative.

System Redesign

The developmental disability (DD) service system is in the process of significant system change and evolution. Among the primary system changes that will be implemented are:

- Resource allocation changes - The process for allocation of the available funding among service recipients will change
- Statewide published provider rates - The fees that providers will be reimbursed will be determined based upon a published fee schedule and will be uniform statewide
- Provider billing - Rather than billing each month for 1/12 of a contracted amount, providers will bill for the services provided to each individual

The changes currently underway in the DD system impact most DD system stakeholders, including consumers, consumer families, providers, and the department. Additionally, as planning is undertaken for these changes, review, discussion, and change of policies occur.

Catalyst for Change

The two major catalysts for change influencing the DD system are: 1) federal Medicaid requirements and findings from the Center for Medicare and Medicaid (CMS) review of the Home and Community Based Services (HCBS) waiver serving developmentally disabled individuals; and 2) litigation. Both are significant because they may impact the financial status of the state. CMS may do so by withholding federal Medicaid reimbursement if the state is not in compliance with federal requirements. Court cases may do so by specifying both the level of state funding and how the funding must be expended.

Process of Change

Given the magnitude of the changes mandated by CMS and the significant level of effort that would be necessary to complete these changes, the department decided to hire a contractor to assist with several issues and in particular to assist with the development of a uniform statewide reimbursement methodology. In October 2003, Mercer Government Human Services Consulting (Mercer) began working to assist the department in issues related to the DD system. There were primarily two products developed by Mercer under contract with the department. These two products are:

- The Montana Resource Allocation Protocol (MONA)
- A schedule of published rates and reimbursement methodology that will be utilized statewide

The reimbursement project has moved to the implementation phase and a contract for this phase has been awarded to Davis-Deshaies, LLC. While the contracting entity has changed, it is important to know that the primary contract staff working on Montana's project continue to be the same individuals.

Montana Resource Allocation Protocol

The MONA is a tool that will be used to allocate the funding for DD HCBS waiver services among service recipients. The client and other individuals invited by the client work with a case manager to respond to a number of questions. The software application then applies formulas to determine the level of financial support needed to provide services to the individual. There are two versions of this tool, one to be used for children age six and above and another to be used for adults.

Provider Rates and Billing

Over the course of the past year the department, via Mercer, has been developing provider rates and a reimbursement methodology. The department plans to move to a published rate schedule that will be used to reimburse all providers and to a reimbursement methodology that reimburses based upon the service provided to the individual, rather than a contract with a provider to serve a predetermined number of individuals. This type of reimbursement system will more easily facilitate consumer choice among providers and portability of services from location to location.

Some portions of the rate calculation methodology use comparable benchmarks. Utilization of a benchmark is valuable in determining reimbursement rates. However, the use of a benchmark does not mean providers are required to pay costs at that rate. It simply means the reimbursement rate is adequate to pay costs at the specified level. Providers maintain freedom to establish employee wages, benefits, and other costs at the level the provider wishes.

In arriving at the direct care wage rate that would be assumed as part of the reimbursement rate calculation, the contractor evaluated a number of data sources of wage and salary information for comparable job duties to arrive at a benchmark.

The benchmark wage rate as proposed by the executive is set at the 25th percentile for comparable jobs. Employee benefits, including both mandated (social security, Medicare tax, workers compensation, and unemployment) and non mandated (health insurance, retirement, paid time off, etc), were benchmarked at 30.45 percent of wages. Program related costs were benchmarked at varying rates depending upon the service and range from 7 to almost 28 percent. General and administrative costs were benchmarked at varying rates ranging from 6 to 12 percent depending upon the service. In addition to the base hourly rate the proposed rate structure will incorporate a geographical factor that will increase reimbursement rates for some services provided in the eleven counties that ranked highest in several factors related to costs of housing, labor, etc.

Implementation

The department began a pilot project implementing changes in resource allocation and reimbursement related to Medicaid waiver services for adults in January 2005. This pilot will last about six months and be increased to about 160 individuals and the providers serving those individuals. The participants in the pilot were selected based upon a statewide random sample, with individuals having the option not to participate in the pilot if they wish to exercise that option. The department will be closely monitoring the impact of system changes on both consumers and providers. The resource allocation tool and published rate structure may be modified if results from the pilot implementation indicate a need to do so. Additionally, the department is in the planning stages of pilot implementation of changes in the children's system, and currently plans to implement a pilot in the children's system around October 1, 2005.

Stakeholder Involvement

Throughout the course of the past year as the DD program has pursued the Mercer project, the department has involved consumers, providers and other stakeholders via various mechanisms. An advisory group consisting of consumer representatives, providers, legislators, and other interested parties have met monthly to provide feedback and advice to the department. So called "focus" group meetings have been held statewide with consumers, consumer organizations, providers, and the public to provide information and respond to changes. Additionally, several meetings have been held with providers and provider groups to review the methodology behind the proposed rate, data collection and findings, and billing related issues.

Litigation

Issues surrounding the provision of services to developmentally disabled individuals have been the subject of litigation at both the state and federal level. At the federal level, the U.S. Supreme Court decision in the case commonly known as Olmstead has been well publicized for its impact on states and the delivery of services to disabled individuals. At the state level, the recent settlement of the case commonly known as Travis D. has immediate program and financial impacts, some of which are included in the budget proposed by the executive.

Legislative Action

The legislature heard testimony and considered information related to the system redesign underway in developmental disabilities services. The legislature included language in HB 2 that encourages the department to utilize a four year phased-in approach to implementation of the statewide published rate structure. The department may alter the phase-in time frame if necessitated to maintain compliance with federal Medicaid requirements.

Additionally, the legislature included language in HB 2 requiring regular reports to the Legislative Finance Committee regarding various aspects of the major system change that is underway in this system. The Governor has indicated his intent to line item veto this language and remove it from HB 2. His authority to do so is questioned and may be challenged in court.

Pending Litigation

In September 2002, the Montana Association for Independent Disability Services, Inc. (MAIDS) and several individuals with developmental disabilities filed suit. Defendants in the MAIDS lawsuit include the Department of Public Health and Human Services and key department and state personnel. MAIDS is a non-profit organization comprised of entities providing community-based services to individuals with developmental disabilities. This suit alleges that the disparity in wages and benefits paid to employees of community based providers, verses the wages and benefits paid to employees of state institutions, has resulted in irreparable and unnecessary harm to the plaintiffs. The plaintiffs allege that several statutory and constitutional provisions have been violated and seek: 1) to have the wage and benefit disparity between employees of state run institutions and community providers eliminated; and 2) to have uniform Medicaid reimbursement rates established. The court is schedule to hear this lawsuit in August of 2005.

A finding in favor of the plaintiffs and requiring the state to reimburse contractors at a level that provides direct care wage rates that are comparable to state employees would likely have a financial impact on the DD system that would be measured in terms of millions of dollars. The potential for similarly situated employee groups of contractors to file similar legal actions exist. The probability and magnitude of such action is currently unknown. Furthermore, how such a finding might impact the definition of employee, employer relationships, and other aspects of labor relations and compensation has not been studied.

Bed Day Utilization Fee

HB 722 from the 2003 session imposed a utilization fee on resident bed days of intermediate care facilities for the mentally retarded (ICF/MR). The fee imposed was equal to 5 percent of the facility's quarterly revenue, divided by the resident bed days for the quarter. This fee becomes part of the operating costs of the facility and is Medicaid reimbursable. The proceeds (Medicaid reimbursement) of the utilization fee are deposited 30 percent in the general fund and 70 percent in the state special revenue fund (prevention and stabilization fund) for use by the department. SB 82 increased the utilization fee from 5 to 6 percent.

Medicaid Pilot Savings Program

The legislature in SB 433 authorized a pilot Medicaid program for some individuals with developmental disabilities. This pilot program will allow individuals enrolled Medicaid home and community based waiver services to place up to one-half the funding allocated but not expended to meet their basic health and safety needs into an individual account for future use. The pilot is limited to 50 individuals. Through provisions in SB 433, the department is authorized to determine the conditions and operating features of the pilot program. Because it involves the Medicaid program funds details of the pilot program must be approved by representatives of CMS.